Executive summary
A new addendum to the Totalization agreement between the Czech Republic and the US became effective as of 1 May 2016 extending the application of the agreement to Czech health insurance law. The Agreement now allows employees moving between the countries to be covered under only one country’s social security and health insurance legislation.

As a result employees working in the Czech Republic and covered by a US issued Certificate of Coverage will no longer be liable for Health Insurance contributions or eligible for Czech state provided health care.

Key features
US assignees with a valid Certificate of Coverage (“CoC”) who were registered with the Czech health insurance system will be deregistered by the Czech hosting company as no further contributions are due in the Czech Republic after the 1 of May 2016. According to the Czech-US agreement a person pursuing an activity as an employed or self-employed person in one of the two countries will be subject to the social security and health insurance legislation in only one country.

Czech assignees with a valid “CoC” are covered by the Czech health insurance scheme and will continue to be under an assignment in the US.

Health insurance contributions
US assignees working for the Czech company and holding a valid “CoC” were subject to the Czech health insurance regardless of their US medical coverage. The contributions were payable by the Czech hosting company on their entire remuneration, both the home and the host delivered part. The applicable rates were 9% for the employer and 4.5% for the employee, all uncapped.

The addendum to the Czech-US agreement removes this obligation, which means significant cost savings for the companies. The assignees will however not be entitled to the state Czech health insurance care as of that date. The Czech health insurance authorities have started to contact individual assignees to inform them about this change.

In the past, the Czech mandatory insurance might have been used for immigration purposes to prove a sufficient health insurance coverage in the Czech Republic as certain private commercial insurance vehicles did not meet the complex criteria required by the Czech immigration law. This will not be possible for future immigration submissions.

Next steps
Employers who currently have employees seconded between the US and the Czech Republic or who intend to assign employees between these countries, should review how this Agreement might affect current and
future social security and health insurance liabilities and costs. In particular, employers should:

- Review the terms of planned assignments to understand the impact of this change on assignment costs.
- Ensure that health insurance contributions are no longer paid in respect of any assignees effected by this change and that the respective deregistration forms are submitted by the Czech hosting company.
- Arrange for Czech Health Insurance Cards issued to the impacted assignees to be returned back to the Czech health insurance companies.
- Ensure that ongoing provisions for health insurance continue to meet the objectives of the company’s assignment policies and are sufficient for Czech immigration purposes.

International Social Security Services

Mike Kenyon
Tel: +44 (0)20 7951 2583
Email: mkenyon@uk.ey.com

Gary Chandler
Tel: +44 (0)20 7951 1280
Email: gchandler@uk.ey.com

Czech Republic

Michaela Felcmanova
Tel: +42 (0) 603 577 910
Email: michaela.felcmanova@cz.ey.com